

REPORT TO THE CITY COUNCIL

BY THE CITY INTERNAL AUDITOR

AUDIT OF THE

**MAYOR'S OFFICE
EXECUTIVE BRANCH**

IAR 010298-09

NOVEMBER 17, 1998



November 17, 1998

Councilman James Green
Chairman, Shreveport City Council
P. O. Box 31109
Shreveport, LA 71130-1109

Dear Councilman Green:

Subject: IAR 010298-09 - Audit of the Mayor's Office, Executive Branch

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

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AUDIT OF THE MAYOR'S OFFICE, EXECUTIVE BRANCH INTERNAL AUDIT REPORT (IAR) 010298-09

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

The Executive Office of the Mayor serves as the focal point where information about city government and its activities can be obtained by citizens. As the principal spokesperson, the Mayor attends meetings, delivers proclamations, participates in special projects, provides information to the news media, and assists citizens. As the key policy-maker for the Executive Branch, the Mayor is responsible for proposing policies regarding the appropriate levels of city services and for communicating these proposals to the City Council, Chief Administrative Officer, and department heads.

OVERVIEW OF SIGNIFICANT ISSUES

Based on the results of our audit, we believe that an adequate system of control is in existence over the areas examined with the exception of the findings specifically noted. We believe the Mayor's Executive Office is efficient and economical. We also believe that management could enhance the control environment by addressing the following:

- ? Adhering to city policy regarding termination pay to unclassified employees.
- ? Ensuring that contracts contain "right to audit" clauses.
- ? Establishing and maintaining a written policies and procedures manual.
- ? Ensuring that proper personnel forms are completed for employees.
- ? Reviewing executive orders for applicability and consider placing them on the City's computer network for easy access by departments.

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OBJECTIVES

We have completed an audit of the Mayor's Office, Executive Branch. The objective of this audit was to determine the economy and efficiency of operations of the Mayor's Office, Executive Branch.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with applicable generally accepted governmental auditing standards. The scope of the study of internal control was limited to the general controls surrounding the specific issues addressed. General audit procedures included, but were not limited to, the following:

- ? Reviewing applicable records and documents.
- ? Interviewing appropriate operating personnel and management.
- ? Observing operations.

BACKGROUND

The Mayor's Office, Executive Branch serves as the focal point where information about City government and its activities can be obtained by citizens. As the principal spokesperson, the Mayor attends meetings, delivers proclamations, participates in special projects, provides information to the news media, and assists citizens. As the key policy maker for the Executive Branch, the Mayor is responsible for proposing policies regarding the appropriate levels of city services and for communicating these proposals to the City Council, Chief Administrative Officer (CAO), and department heads.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

Based on the results of our audit, we believe that an adequate system of control is in existence over the areas examined with the exception of the findings specifically noted. We believe the Mayor's Office, Executive Branch is efficient and economical. We also believe that management could enhance the control environment by addressing the following:

- ? Adhering to city policy regarding termination pay to unclassified employees.
- ? Ensuring that contracts contain "right to audit" clauses.
- ? Establishing and maintaining a written policy and procedures manual.
- ? Ensuring that proper personnel forms are completed for employees.
- ? Reviewing executive orders for applicability and consider placing on the City's computer network for easy access by departments.

1. Unclassified Employee Received Payment for Unused Sick Pay at Time of Separation

Criteria: The City's Executive Order (E.O.) 91-2, "Personnel Rules for Non-Classified Employees" Section VI G. Termination Pay, specifies that an unclassified employee may receive payment for unused accrued vacation upon separation. Section VI H. Severance Pay, indicates that an additional severance pay in addition to annual vacation pay, can be extended to department and division heads.

Additionally, City Attorney Opinion 98-006, dated June 9, 1998, citing Attorney General's Opinion No. 96-29, stated that "...the payment of accumulated sick leave upon termination could be challenged as not being part of a formally adopted leave plan which is uniformly applied."

Condition: An unclassified employee in the Mayor's Office, Executive Branch terminated in March of 1998. Upon separation, this employee received \$4,013.71 for unused sick pay. The employee's position was that of support staff for the Mayor.

Effect:

- ? Unused sick pay was paid to an unclassified employee not in accordance with E.O. 91-2 Section VI G. Termination Pay, that specifies that only accrued vacation upon separation can be paid.
- ? Unused sick pay was paid to an unclassified employee not in accordance with E.O. 91-2 Section VI H. Severance Pay, that specifies that severance pay can be granted to department and division heads. The terminated employee's position was that of support staff to the Mayor, not that of a department or division head.

Cause: As written, E.O. 91-2 does not appear to follow the guidelines of Attorney General's Opinion 96-29.

Recommendation: We recommend that E.O. 91-2 be revised to be consistent with the Attorney General's opinion 96-29 and to reflect the current staffing practices of the Mayor's office.

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Management Response:

City Attorney: We concur that E.O. 91-2 should be revised. While the condition described is not prohibited by either E.O. 91-2 or Attorney General's Opinion No. 96-29, the executive order should be revised to ensure consistency of language with the attorney general's opinion.

The Attorney General Opinion allows unused sick pay to be paid upon termination when such a practice is part of a formally adopted leave plan, uniformly applied. While E.O. 91-2, Section VI(h) states that "severance pay" can be paid in certain conditions to department and division heads, E.O. 91-2 does not prohibit using unused sick pay to satisfy the "severance pay" requirement. Further, Attorney General's Opinion No. 96-29, does not say that payment of unused sick pay is prohibited when it is referred to as "severance pay." Thus, as long as the conditions of E.O. 91-2, Section VI(H) are met, the condition is not at variance with either the executive order or the attorney general's opinion.

The question becomes was the unclassified employee to whom the payment was made either a department or division head? The Mayor viewed the office held by the particular unclassified employee in question to be the same level as a department or division head and, therefore, appropriately eligible for the severance pay under that section of E.O. 91-2. This staffing procedure should be clarified in the executive order.

The issues raised by the audit are relevant in that E.O. 91-2 uses verbiage inconsistent with that provided by Attorney General Opinion No. 96-29. Therefore, this office will review E.O. 91-2 and redraft it to ensure consistency with Attorney General's Opinion No. 96-29.

(Auditor's Note: Subsequent to this finding Administration revised E.O. 91-2 by changing severance pay to additional termination pay and allowing for additional termination pay to be provided to the Mayor's support staff.)

2. Right to Audit Clause

Criteria: City Ordinance No. 40 of 1994 requires a right to audit clause in all city contracts. This right to audit clause requires that contractors retain financial records pertaining to all matters relative to the contract and allows the City to audit these records.

Condition: During a review of the grant administration and legislative program contracts, it was noted that the contracts did not contain the right to audit clauses.

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Effect:

- ? City's right to review supporting documentation is not specified.
- ? Violation of city ordinance.

Cause:

- ? Lack of administrative oversight.
- ? During contract renewal, the adherence to city ordinance was not reviewed.

Recommendation: We recommend that the grant administration and legislative program contracts be amended to contain the right to audit clause as specified by city ordinance. Additionally, all other contracts should be reviewed to determine their adherence to the right to audit ordinance. At a minimum, these contracts should be reviewed, at time of renewal, for adherence to City policies.

ManagementResponse: We concur in the recommendation. The contract's mentioned were drafted by the Office of the City Attorney (George Sutton Professional Services contract) and LSU-S (grant Research and Writing Grant Applications and Proposals) and routed through all appropriate departments. Staff initiating the contract request will be instructed to review the documents for inclusion of all required provisions. An amendment to both contracts will be prepared by the City Attorney and presented from the other parties to the contract.

3. Personnel Documentation Not Completed

Criteria: Employees are required to sign documents that attest to that employees understanding of city policies, such as, the "Governmental Code of Ethics" and the "Software Code of Ethics." Federal guidelines require that employees complete the "I-9" to verify their citizenship.

The City Executive Order (E.O.) 91-2, "Personnel Rules for Non-Classified Employees," Section V Performance Management, states that "...management has an obligation to provide periodic formal and written evaluations of performance."

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Condition: A review of the personnel files for employee's of the Mayor's Office indicated:

- ? The "Governmental Code of Ethics," federal employment registration form (the "I-9") and the "Software Code of Ethics" were not completed for all employees.
- ? The Office of the Mayor does not utilize written evaluations.

Effect:

- ? Lack of the appropriate personnel forms:
 - ? The "I-9" form verifies the employees citizenship and lack of completing this form is violation of federal guidelines.
 - ? The "Governmental Code of Ethics" and "Software Code of Ethics" help ensure that employee's understand city policies and that employee's are accountable for following those policies.
- ? Lack of a documented or formal employee evaluations:
 - ? There is no written basis for merit increases.
 - ? Employees may be unsure of job performance.
 - ? Violation of E.O. 91-2 Section V.

Cause: Personnel documentation was not completed for these employees, because they were non-classified and therefore did not go through the Personnel Department's orientation process that helps ensure that employees sign these documents.

The lack of written evaluations occurred because management relies on verbal communication as a basis to inform employees of job performance.

Recommendation: The appropriate personnel forms should be completed immediately for existing employees. To help ensure that appropriate documentation is completed in the future, a new hire checklist should include these forms.

Additionally, the Office of the Mayor should adhere to E.O. 91-2 and utilize written performance evaluations.

Management Response: All appropriate documents cited in Finding No. 3 have been signed and placed in the employees' personnel files. We will work with the Personnel Department to ensure that upon hiring any new employees all appropriate and required forms are completed by the new hire.

4. Executive Orders

Criteria: Executive Orders are the vehicle in which the Mayor's policies are promulgated to city personnel. All department's should have access to a current and complete set of these policies.

Condition: As policies are updated, there is no procedure in place to help ensure that departments have a completed and current copy of the policies.

Effect: Departments may not be up to date with city policies.

Cause: Lack of administrative oversight.

Recommendation: As executive orders are updated, departments should be notified. To allow easy access to current policies, consideration should be given to place the executive orders on the City's network. However, because not all of the department's have access to the City's network, the current list of executive orders should be periodically sent to departments for their review.

Management Response: Executive Orders are typically sent to all departments in draft form for review prior to finalization and issuance of the Order. At the time of finalization, the Executive Order is sent to all Departments. Each Department is responsible to maintain all Executive Orders. This office has been working with City's Records Manager to place all Executive Orders and Administrative Procedures on Network. Original Executive Orders and Administrative Procedures are maintained in the Office of the Chief Administrative Officer and are available to each Department for review.

Appropriate maintenance by each City Department of Executive Orders and Administrative Procedures is being more fully addressed during the work of the Administrative Procedure and Executive order Task Force. This office concurs in the recommendation that a periodic distribution of a complete list of Administrative Procedures and Executive Orders would assist each Department in maintaining these documents.

5. Travel and Meal Reimbursements

Criteria: Administrative Procedure (A.P.) 1-1 "City Travel Policy," specifies that a "Request for Travel" should be approved in advance for all travel, and that the travel expense will be

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submitted within 10 working days after the completion of travel.

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Condition: A review of travel for the Mayor's Office indicated:

- ? Travel requests were not always done before actual travel.
- ? Reimbursements for travel expenses were not done in a timely manner.

Effect: City policies regarding travel and reimbursements were not followed.

Cause: Lack of administrative oversight.

Recommendation: Personnel should sign travel requests before actual travel. By doing this, they are attesting that they understand and will abide by city policy regarding reimbursements. Additionally, travel expense statements should be submitted by personnel as described in city policies.

Management Response: The Mayor's Office agrees with the recommendation and will ensure that a Request to Travel is prepared and executed prior to travel for employees of Mayor's Office. From time to time, travel reimbursement requests are not processed within the 10 days provided for in the Administrative Procedure. This is usually due to billing concerns. It should be noted, however, that the Office of the Mayor does not request travel advances and any delay in submission of travel reimbursement requests has no impact on the City adequately accounting for a travel advance provided to a City employee or officer.

6. Policy and Procedures Manual

Criteria: A policy and procedures manual is a written document that provides uniformity in practices, clear lines of authority, accountability, and understanding.

Condition: The Office of the Mayor does not have a policy and procedures manual.

Effect: Employees may be confused as to policies. Existing laws and regulations may be violated.

Cause: Lack of administrative oversight.

Recommendation: We recommend that the Office of the Mayor establish and maintain a written policy and procedures manual to address, at a minimum, employee evaluations and merit increases, new employee required forms (such as the federal "I-9" form), and clear lines

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of authority.

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Management Response: A copy of written office procedures for Mayor/CAO's office dated 5/4/98 is enclosed.

The Administrative Procedure and Executive Order Task Force has identified the need to include a new hire checklist (with appropriate forms) and an employee exit checklist.

7. Grant Administration

Criteria: Grant applications initiated by the City are retained for a period of time as set forth by the City's record-keeping schedule. The City has contracted with LSU-S to develop grants. However, those grants initiated at LSU-S do not have a retention schedule specified in the contract.

Condition: There is no specified amount of time for the retention of grant applications for those developed by LSU-S for the City.

Effect: Necessary or historical information may not be kept.

Cause: Contract does not specify a retention time for applications.

Recommendation: Grants developed by LSU-S on behalf of the City should, at a minimum, adhere to the same retention guidelines for grants developed at the City. The contract should be amended to specify these retention guidelines.

Management Response: We concur in this recommendation. An amendment to the Grant writing contract with LSU-S will be prepared to cover this recommendation.

Prepared by:

Barbara Pfister, CFE, CGFM, CIA, CISA
Staff Auditor I

Approved by:

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City Internal Auditor

BP:jm

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c: Mayor
CAO
City Attorney
City Council
Clerk of Council
External Auditor